

City and County of Honolulu Fiscal Year 2019 Budget Communication #2

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Department of Budget and Fiscal Services
March 12, 2018

DEPT. COM. 172

The FY 2019 Budget was prepared with the following guiding principles:

- **Continue to focus on core services and repairs and maintenance of facilities and infrastructure**
- **Address mandated requirements**
- **Plan and invest for the future and begin to diversify the City's revenue sources**

The Administration's main policy initiatives for FY 2019 include the following priorities:

- Maintaining and Improving Parks and Park Facilities
- Enhancing Bus and Handivan Services
- Integrating Bus, Rail, and TOD
- Meeting Mandated Sewer Improvement Deadlines
- Continuing to Invest in Road Rehabilitation and maintenance
- Addressing Chronic Homelessness

Operating Budget Comparison by Source of Funds

<u>Fund</u>	<u>FY 18</u>	<u>FY 19</u>	<u>% Change</u>
General Fund	1,381,582,398	1,484,278,218	7.4%
Highway Fund	122,149,556	135,438,435	10.9%
Sewer Fund	327,528,165	351,129,989	7.2%
Bus Transportation Fund	242,077,933	248,467,705	2.6%
Liquor Commission Fund	6,349,536	6,761,400	6.5%
Bikeway Fund	801,072	854,657	6.7%
Highway Beautification and Disposal of Abandoned Vehicles Revolving Fund	7,133,531	7,551,214	5.9%
Special Events Fund	10,747,356	11,653,531	8.4%
Honolulu Zoo Fund	11,220,965	11,186,655	-0.3%
Golf Fund	14,871,388	15,577,430	4.7%
Solid Waste Special Fund	196,694,984	198,530,601	0.9%
Hanauma Bay Nature Preserve Fund	5,892,042	6,577,716	11.6%
Rental Assistance Fund	233,000	233,000	0.0%

Operating Budget Comparison by Source of Funds (continued)

<u>Fund</u>	<u>FY 18</u>	<u>FY 19</u>	<u>% Change</u>
Leasehold Conversion Fund	50,000	0	-100.0%
Housing Development Special Fund	200,000	200,000	0.0%
Clean Water and Natural Lands Fund	0	164,476	n/a
Affordable Housing Fund	0	250,048	n/a
Patsy T. Mink Central Oahu Regional Park Fund	209,800	209,800	0.0%
Waipio Peninsula Soccer Park Fund	87,100	112,100	28.7%
Grants in Aid Fund	7,918,021	8,043,108	1.6%
Community Development Fund	1,562,168	1,546,845	-1.0%
Housing and Community Development Rehabilitation Loan Fund	3,000,000	2,500,000	-16.7%
Housing and Community Development Section 8 Contract Fund	53,935,846	54,191,623	0.5%
Federal Grants Fund	45,859,155	48,207,749	5.1%
Special Projects Fund	<u>9,856,617</u>	<u>13,353,684</u>	35.5%
TOTAL	2,449,960,633	2,607,019,984	6.4%

CIP Budget Comparison by Source of Funds

<u>Fund</u>	<u>FY 18</u>	<u>FY 19</u>	<u>% Change</u>
Sewer Revenue Bond Improvement Fund	494,372,000	204,250,000	-58.7%
General Improvement Bond Fund	245,050,145	217,027,000	-11.4%
Highway Improvement Bond Fund	74,945,000	108,531,000	44.8%
Solid Waste Improvement Bond Fund	30,582,228	45,311,000	48.2%
Affordable Housing Fund	5,000,000	40,843,469	716.9%
Bikeway Fund	920,000	990,000	7.6%
Clean Water and Natural Lands Fund	10,533,000	10,503,327	-0.3%
General Fund	200,000	2,872,000	1336.0%
Highway Fund	0	366,099	n/a
Hanauma Bay Nature Preserve Fund	0	66,000	n/a
Parks and Playgrounds Fund	891,112	2,029,429	127.7%
Sewer Fund	165,899,940	197,261,690	18.9%
Utilities' Share	100,000	100,000	0.0%
Solid Waste Special Fund	0	9,872,626	n/a
Community Development Fund	6,248,670	6,187,378	-1.0%
Federal Grants Fund	32,029,689	28,875,071	-9.8%
TOTAL	1,066,771,784	875,086,089	-18.0%

Operating Budget Comparison by Function

<u>Function</u>	<u>FY18</u>	<u>FY19</u>	<u>% Change</u>
General Government	200,031,708	203,388,052	1.7%
Public Safety	472,030,654	500,649,771	6.1%
Highways and Streets	37,598,674	38,199,580	1.6%
Sanitation	284,523,465	291,385,760	2.4%
Human Services	105,781,698	112,461,516	6.3%
Culture-Recreation	104,099,354	107,561,558	3.3%
Utilities or Other Enterprises	264,833,778	269,952,945	1.9%
Debt Service	473,964,000	522,295,000	10.2%
Miscellaneous	507,077,302	561,125,802	10.7%
TOTAL	2,449,940,633	2,607,019,984	6.4%

CIP Budget Comparison by Function

<u>Function</u>	<u>FY18</u>	<u>FY19</u>	<u>% Change</u>
General Government	58,868,383	164,979,463	180.3%
Public Safety	38,313,990	44,340,000	15.7%
Highways and Streets	74,215,000	98,070,000	32.1%
Sanitation	683,012,940	446,822,690	-34.6%
Human Services	72,252,359	45,495,180	-37.0%
Culture-Recreation	101,135,112	45,794,756	-54.7%
Utilities or Other Enterprises	38,974,000	29,584,000	-24.1%
TOTAL	1,066,771,784	875,086,089	-18.0%

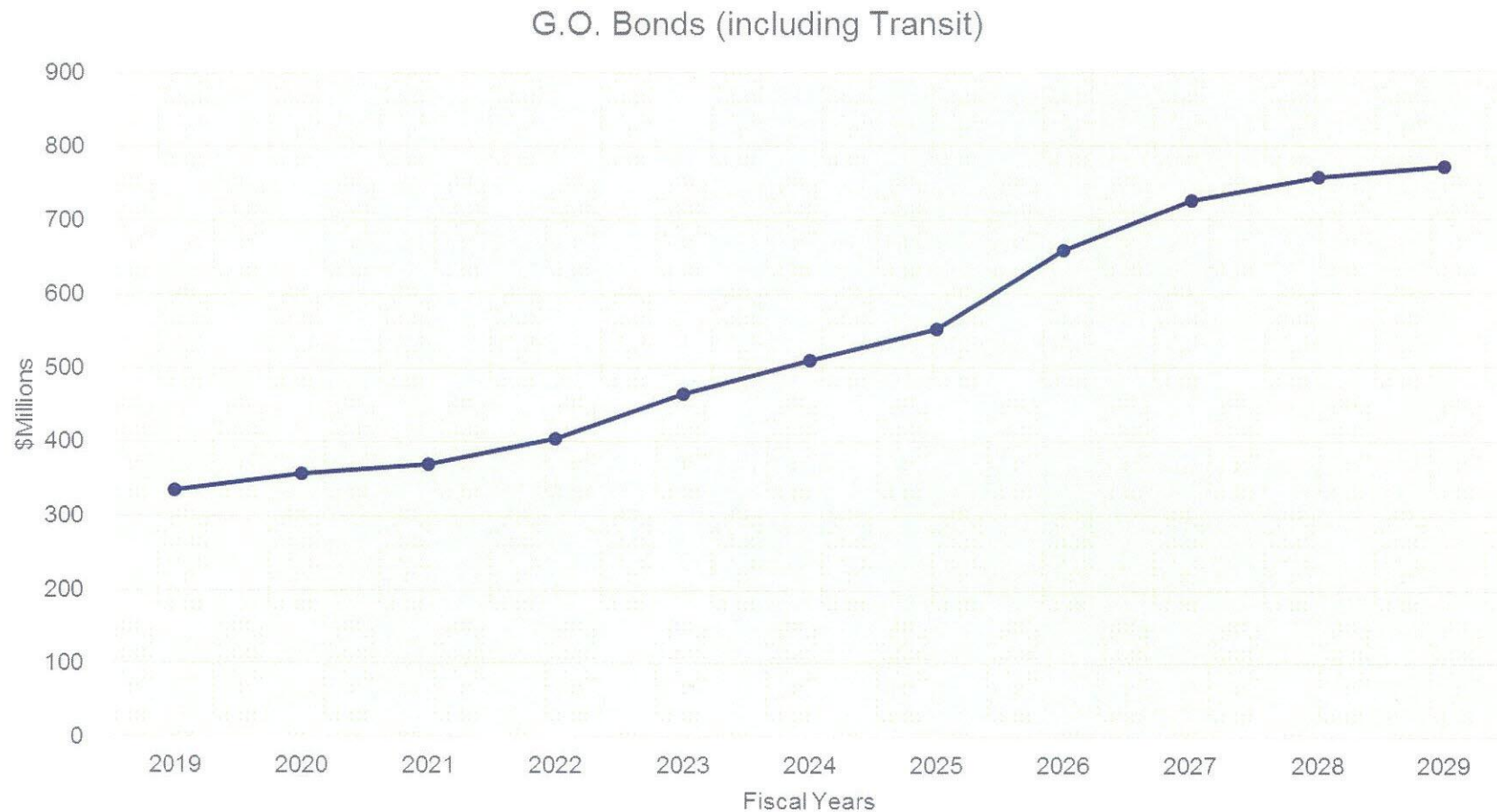
New G.O. Bond Issuances, Retirements and Net Debt Issuance Projections

<u>Fiscal Year</u>	<u>G.O. Bond Issuance</u>	<u>G.O. Bond Retirements</u>	<u>Net Additional Debt</u>
2019	572,665,000	173,535,000	399,130,000
2020	743,085,000	189,092,000	553,993,000
2021	968,250,000	174,843,000	793,407,000
2022	666,675,000	178,595,000	488,080,000
2023	300,405,000	230,319,000	70,086,000
2024	300,405,000	274,600,000	25,805,000
2025	490,940,000	315,214,000	175,726,000
2026	300,000,000	422,615,000	(122,615,000)
2027	300,000,000	498,938,000	(198,938,000)
2028	200,000,000	541,000,000	(341,000,000)
2029	200,000,000	568,941,000	(368,941,000)

FY 2019 through 2027 G.O. issuance amounts include G.O. bonds (not including TECP) for HART. Information on HART bonds was obtained from HART.

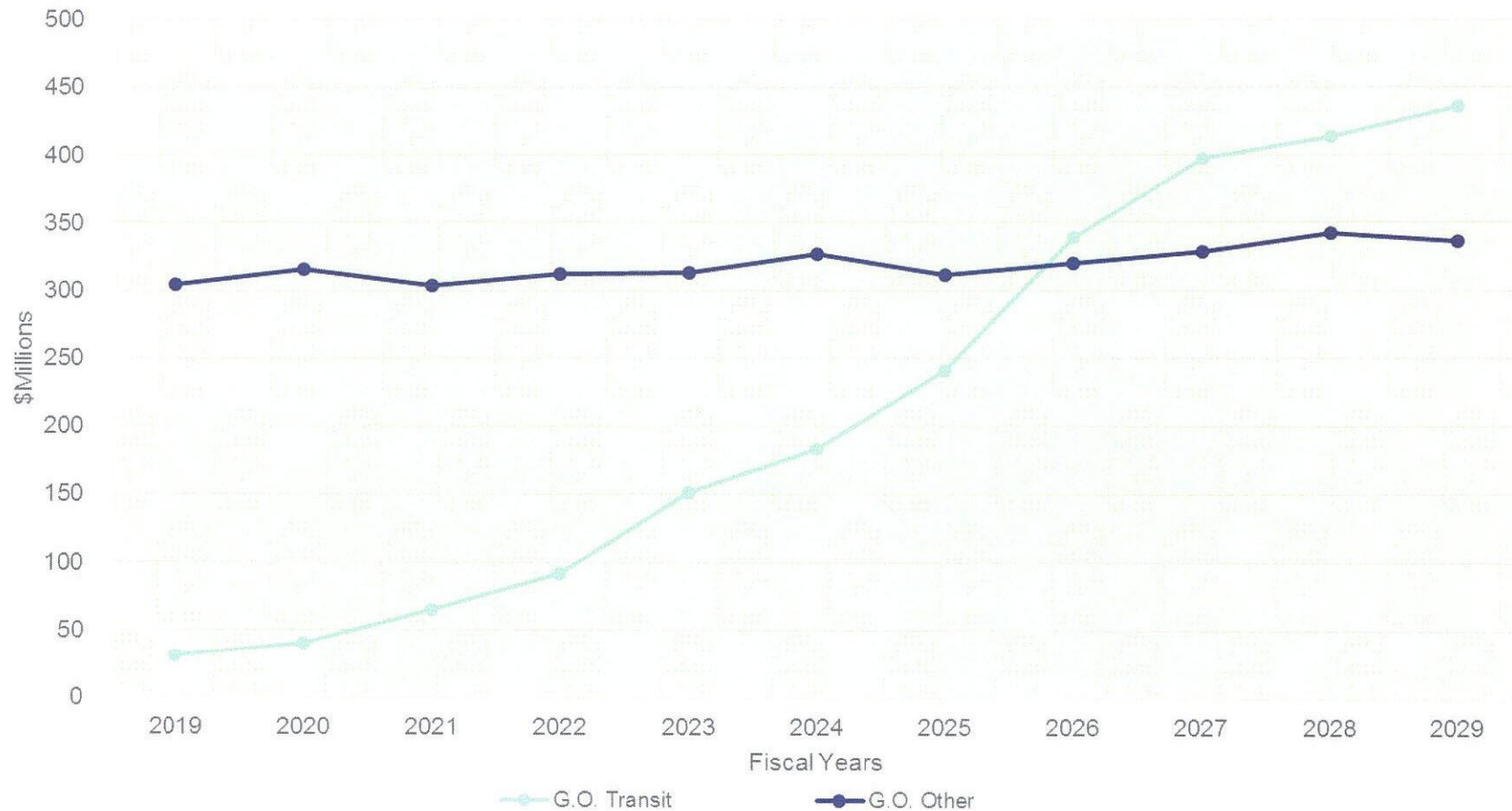
G.O. Bond Debt Service Projections

(In millions)



Assuming annual G.O. bond issue projection provided in Question 3.

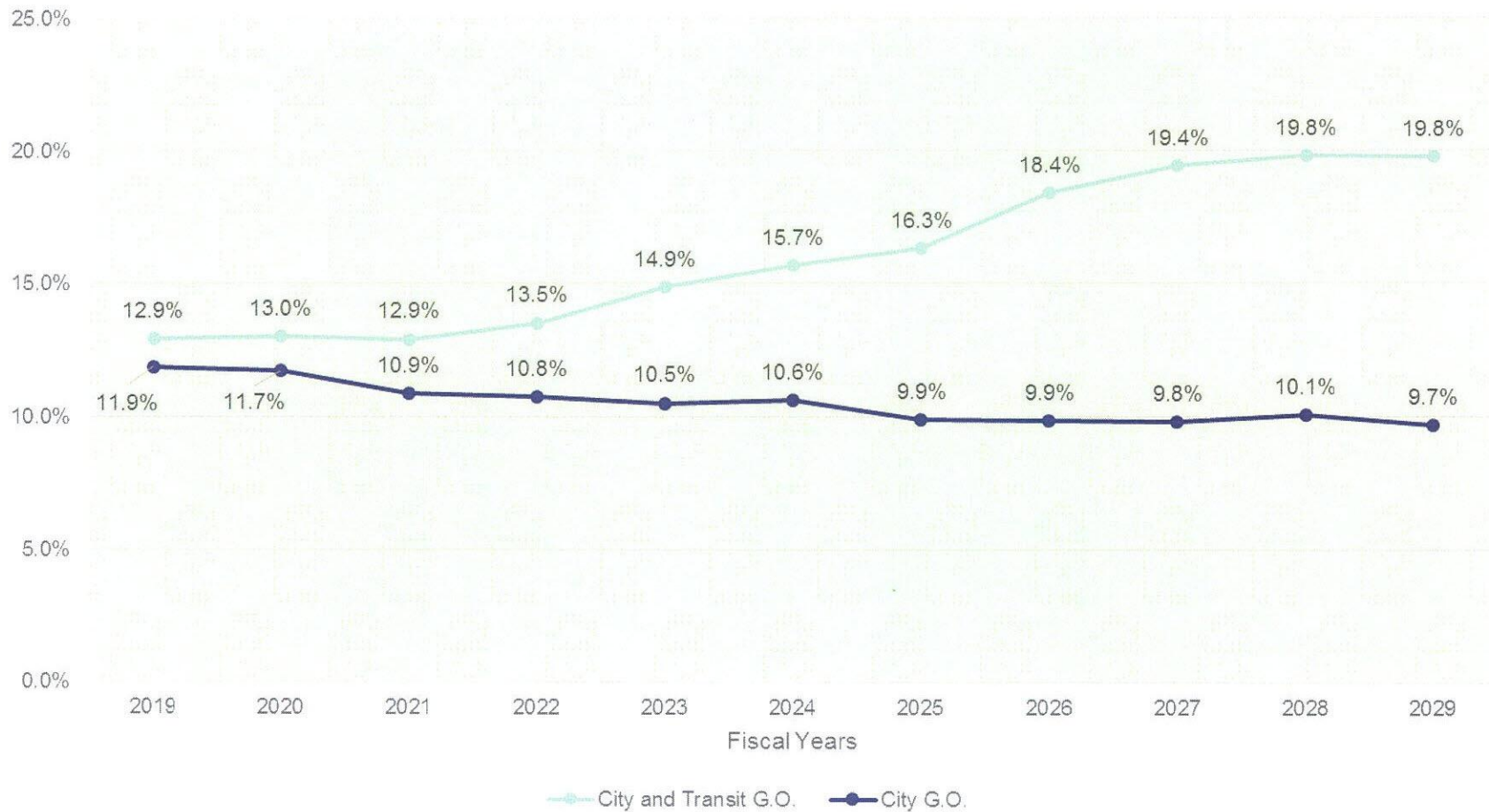
G.O. Bond Debt Service Projections



Assuming annual G.O. bond issue projection provided in Question 3.

Budget Communication #2, Question 4

G.O. Bond Debt Service as a Percentage of Operating Budget



Upper line is the percentage of total debt service to the City's operating budget but Transit debt service is paid with Transit revenues per Ordinance 07-001.

Budget Communication #2, question 4

City's Outstanding Debt

As of February 28, 2018

Gross funded indebtedness	\$	5,871,882,816 (a)
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Less Exclusions:

G.O. for HART	350,000,000
G. O. for Sewer	675,716
State Loans Payable	237,684,012
Wastewater Revenue Bonds	2,219,055,000
Water Supply Revenue Bonds	214,840,000
G. O. for Solid Waste	138,096,300
G. O. for H-POWER	356,710,000
G. O. for Housing	<u>34,681,946</u>
Total Exclusions	3,551,742,974

Net Funded Debt	\$	2,320,139,842
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(a) Outstanding balance as of February 28, 2018.

City's Current Authorized, but Unissued Debt(a)

As of February 28, 2018

General Obligation Bonds	\$1,171,168,425
G.O. - HART	3,391,919,315
Sewer Improvement Revenue Bonds	<u>844,099,384</u>
	\$5,407,187,124

HART Breakout by Ordinance:

Ordinance No. 09-12 (2009-10)	65,831,756
Ordinance No. 10-12 (2010-11)	6,510,245
Ordinance No. 11-23 (2011-12)	16,970,181
Ordinance No. 12-23 (2012-13)	209,957,633
Ordinance No. 13-23 (2013-14)	696,600,496
Ordinance No. 14-21 (2014-15)	768,741,929
Ordinance No. 15-28 (2015-16)	266,017,311
Ordinance No. 16-17 (2016-17)	1,153,583,264
Ordinance No. 16-17 (2017-18)	<u>207,706,500</u>

\$3,391,919,315

(a) Lapsed report cut-off date is February 28, 2018

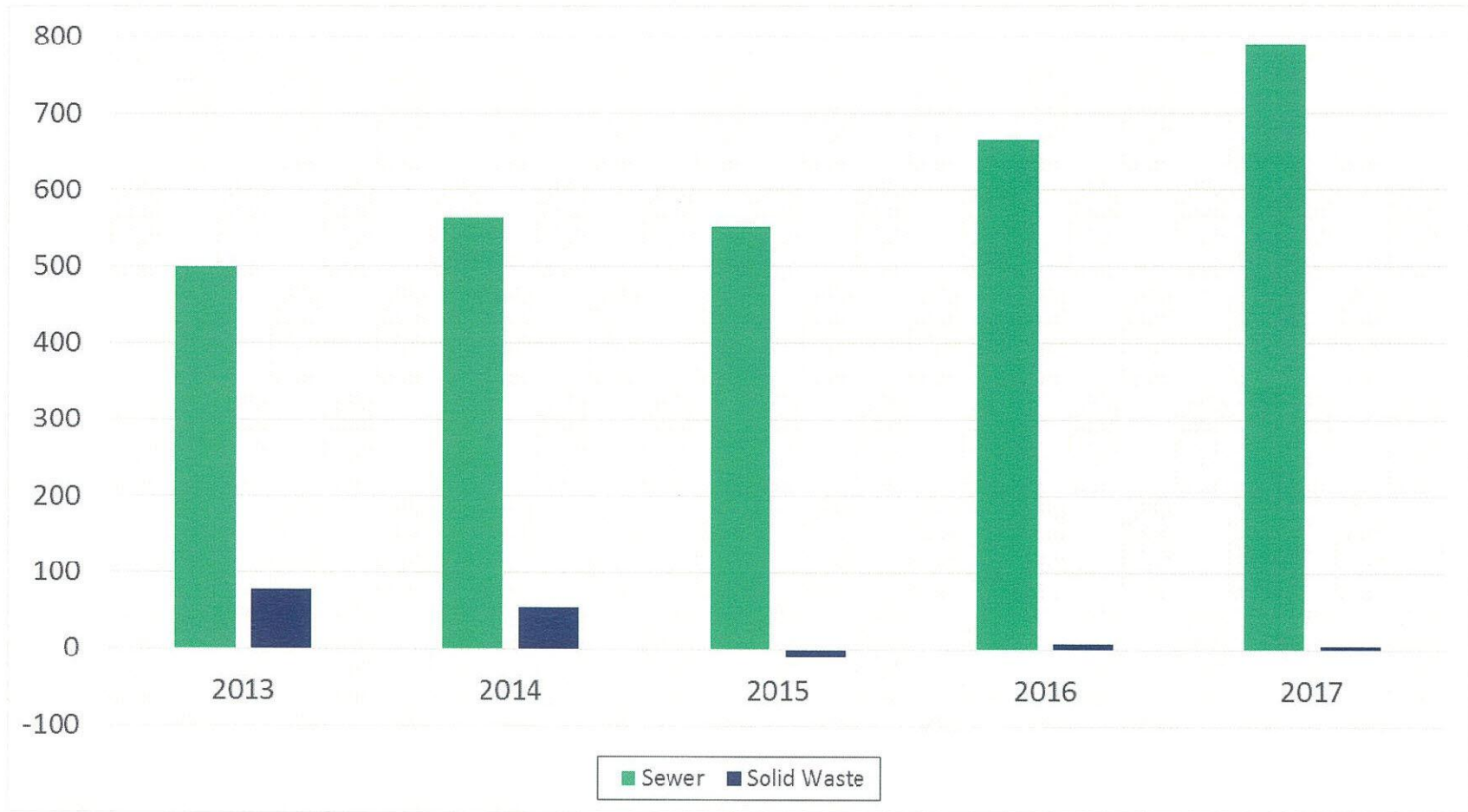
Budget Communication #2, question 5

Bond Issuances and/or Restructuring Proposed for Fiscal Year 2019

	<u>Sewer Revenue Bonds</u>	<u>State Revolving Fund</u>	<u>General Obligation</u>	<u>G.O. Bonds - Rail</u>	<u>Tax Exempt Commercial Paper (TECP) Rail</u>
Issue amount	240,000,000	10,000,000	230,000,000	342,665,000	\$449 million total; \$249 million average amount outstanding
Estimated Interest Rate	5.50%	1.00%	4.00%	4.00%	3.00%
Term	30 Years	20 Years	25 Years	14 years	
Structure	Level Payment	Level Payment	Level Payment	Interest only first five years, level payments of principal and interest after that	
Projected Date of Issuance	First half of Fiscal Year	Various	First half of Fiscal Year	9/1/2018	Periodically through fiscal year based upon cash flow requirements.
Projected Annual Debt Service Payment	16,522,000	590,000	14,723,000	33,548,000	Outstanding balance refunded in next bond issue.

Sewer and Solid Waste Funds Unrestricted Net Assets

(In millions)



General and Highway Fund Unreserved, Undesignated Balance

(In millions)



Budget and Actual Resources Comparison (In \$Millions)

Type of Revenue	FY 2017 Budget	FY 2017 Actual	FY 2018 Budget	FY 2019 Proposed	Percent Change
Real Property Tax	1,076,862,290	1,089,858,305	1,159,286,599	1,255,790,946	8.3%
Fuel Tax	51,015,000	51,992,011	51,270,000	51,526,000	0.5%
Motor Vehicle Weight Tax	121,780,620	126,879,782	136,791,003	164,347,327	20.1%
Public Utility Franchise Tax	47,525,000	38,899,860	42,525,000	47,707,700	12.2%
Federal Grants	97,952,072	82,833,375	101,633,026	100,141,493	-1.5%
State Grants	10,375,227	11,581,677	9,414,113	21,658,956	130.1%
Transient Accommodations Tax	45,423,000	45,423,000	41,013,000	45,423,000	10.8%
Public Service Company Tax	43,372,000	42,224,763	30,000,000	46,007,251	53.4%
Licenses and Permits	55,308,264	56,322,760	63,436,922	64,856,795	2.2%
Charges for Services	34,083,661	34,222,493	40,907,614	37,071,461	-9.4%
Sewer Charges	378,124,344	335,843,313	331,966,933	265,094,408	-20.1%
Bus Transportation Revenues	56,607,400	53,786,619	57,875,000	54,030,000	-6.6%
Solid Waste Revenues	131,396,900	136,376,062	141,096,900	132,719,274	-5.9%
Other Revenues	92,580,649	94,019,408	111,049,637	127,823,243	15.1%
Carry-Over	837,809,971	1,068,652,504	950,815,368	904,271,553	-4.9%
TOTAL	3,080,216,398	3,268,915,932	3,269,081,115	3,318,469,407	1.5%

Budget and Actual Resources are for the operating budget only, consistent with page D-28 of the Executive Program and Budget Volume I.

Uncontrollable Cost Comparison

(in \$millions)

	<u>FY 2017</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>Percent</u>	<u>FY 2019</u>	<u>Percent</u>
<u>SOURCE</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Change (1)</u>	<u>Proposed</u>	<u>Change (2)</u>
Operating Expenditures						
Executive Agency Budgets	1,463.9	1,386.8	1,468.9	0.3%	1,523.6	3.7%
Debt Service	445.0	426.0	474.0	6.5%	522.3	10.2%
Fringe Benefits	359.3	334.7	423.4	17.8%	468.8	10.7%
Miscellaneous	65.2	32.7	83.7	28.4%	92.3	10.3%
Total Operating Expenditures	2,333.4	2,180.2	2,450.0	5.0%	2,607.0	6.4%
(1) Percentage change between FY 2018 Budget and FY 2017 Budget						
(2) Percentage change between FY 2019 Proposed and FY 2018 Budget						
Fringe Benefits includes Retirement System Contributions, FICA and Pension, Health Benefits Contributions, and OPEB						